

**Charter School Facilities Program
Proposition 51 Funding Round
Staff Summary Report – January 2018**

Applicant/Obligor:	Lighthouse Community Public Schools
Project School:	Lighthouse – Lodestar
CDS (County – District – School) Code:	01-61259-0134015
School Address/Proposed Site:	8701/8745 Fontaine St, Oakland, CA 94605
Type of Project:	New Construction and Rehabilitation
Type of Apportionment:	Preliminary/ Advance Apportionment
County:	Alameda
District in which Project is Located:	Oakland Unified School District
Charter Authorizer:	Oakland Unified School District
Total OPSC Project Cost (Rehab):*	\$4,256,929.60
Total OPSC Project Cost (NC):*	\$45,822,394.00
Total OPSC Project Cost (Rehab & NC):*	\$50,079,323.60
State Apportionment (50% Project Cost):	\$25,039,661.80
Lump Sum Contribution:	N/A
Total CSFP Financed Amount:	\$25,039,661.80
Length of CSFP Funding Agreement:	30 Years
Assumed Interest Rate:	3.00%
Estimated Annual CSFP Payment (NC):	\$1,168,912
Estimated Annual CSFP Payment (Rehab):	\$108,593
Total Estimated Annual CSFP Payment:	\$1,277,505
First Year of Occupancy (Rehab Project):	2020-21
First Year of Occupancy (NC Project):	2020-21

**The amount identified as total project costs represents an estimate provided by the Office of Public School Construction for purposes of Preliminary-Apportionment financial soundness review. Final project costs will be provided at the time of Final Apportionment.*

Staff recommends that the California School Finance Authority (“Authority” or “CSFA”) Board determine that Lighthouse Community Public Schools on behalf of Lodestar: A Lighthouse Community Charter Public (“Lodestar”), is financially sound for purposes of the Charter School Facilities Program (“Program” or “CSFP”) Preliminary/Advance Apportionment. This determination as it relates to Preliminary/Advance Apportionment is in place for twelve months and assumes no financial, operational, or legal material findings within this time period. This recommendation is also contingent upon Lighthouse Community Public Schools electing to have its CSFP payments intercepted at the state level, pursuant to Sections 17199.4 and 17078.57(a)(1)(A) of the Education Code. Staff

recommends that the Authority Board direct staff to notify the Office of Public School Construction (“OPSC”) and the State Allocation Board regarding this determination.

Application Highlights: Below staff has highlighted key criteria that were evaluated when conducting its financial soundness review for Lighthouse Community Public Schools and Lodestar. Detailed information is contained in the body of the report.

Criteria	Comments
<i>School Information</i>	
Demographic Information	<ol style="list-style-type: none"> 1. In 2016-17, Lodestar had a total enrollment of 234 students in grades K - 6 (the ADA rate was 94%). 2. By 2020-21 (1st Full Year of Expected Project Occupancy), Lodestar projects enrollment of 722 students.
Debt Service Coverage	The projected debt service coverage ratios are 131.9% and 186.2% for 2021-22 and 2022-23, respectively. Lighthouse Community Public Schools will rely on fundraising in order to meet the debt service coverage requirement. However, fundraising only accounts for 6.2% of operating revenues on average from 2017-18 through 2022-23, which is less than the 15% threshold considered to be material by CSFA staff.
Other Financial Factors	<ol style="list-style-type: none"> 1. Projected ratios of CSFP payments to total revenues are 5.9% and 5.5% for 2021-22 and 2022-23, respectively, which are below the preferred maximum range of 10-15%. 2. Net working capital of \$2,812,220 for 2016-17 represented 19.5% of operating expenses, which exceeds the preferred minimum of 5.0%.
<i>School Information</i>	
Eligibility Criteria	Lodestar has met all eligibility criteria: (1) Lodestar commenced operations in 2016, but the organization that is applying on behalf of the school has operated charter schools since 2005; (2) Lodestar’s charter is in place through June 30, 2021; (3) Lodestar is in good standing with its chartering authority, and in compliance with the terms of its charter.
Student Performance	Lodestar students have outperformed both comparable schools in English Language Arts, but lag behind in Mathematics per the “Smarter Balanced” assessment provided through CDE. In 2016-17, 30.00% of Lodestar students met or exceeded the English Language Arts/Literacy standard set by the California Assessment of Student Performance and Progress’ (CAASPP) Smarter Balanced Assessment. That same year only 11.00% of students met or exceeded the Mathematics standard under CAASPP’s Smarter Balance Assessment.

Program Eligibility: On October 27, 2017, at CSFA staff's request, verification was received from Oakland Unified School District confirming that Lodestar is (1) in compliance with the terms of its charter agreements, and (2) in good standing with its chartering authority. Lodestar's current charter is effective through June 30, 2021.

Legal Status Questionnaire: Staff reviewed the applicant's responses to the questions contained in the Legal Status portion of the application. No information was disclosed that would lead staff to question the financial or legal integrity of this applicant.

Project Description: This description is the most detailed description Lighthouse Community Public Schools could provide. The project will include the design and construction of a new building that will accommodate Lodestar's full K-12 instructional program. That construction will result in a new three-story building including approximately 59,000 square feet of permanent construction. The rehabilitation of existing classrooms on the site will include seven relocatable classrooms for elementary grade students, of which five will be rehabilitated and two will be demolished and replaced as part of the new construction on the site. Both the new construction and rehabilitation projects will be completed in August 2020.

Organizational Information: Lodestar is a K-12 grade charter school with 501(c)(3) non-profit public benefit status as Lighthouse Community Charter Public Schools. The school received its first charter in 2016 and began instructional operations in the 2016-17 school year and currently serves 234 students. The school projects enrollment to increase to 722 by 2020-21, first year of project occupancy. The school has a current waitlist of 250 students and will matriculate students from one grade to another as it expands to form a full K-12 school.

The school describes itself as a K-12 charter school whose mission is guided by the five Design Principles of high expectations, deeper learning, serving the whole child, families as partners, and professional learning community.

Lighthouse Community Public Schools acts as its own fiscal agent and is governed by its own board. The Board of Directors makes decisions and works with the Director of Strategic Development and the Shared Services team to oversee the school's development and operation.

The 2017-18 Board of Directors consists of Melissa Barnes-Dholakia, Roosevelt Callahan, Sarah Chavez, Wayne Delker, D'Lonra Ellis, Mike John-Baptiste, Christina Legg-Greenber, Maurilio Leon, Soo Zee Park, Jenny Paul-Rappaport, Kristin Richmond, Brian Rogers, Rob Schwartz, Delphine Sherman, Sara Solar, Jonathan Velline, Carina Wong, and Lisa Zuffi. Staff has reviewed the list of board members and determined them to have the proper background and experience to govern.

Yanira Canizales is the Founding Head of School for Lodestar and has more than 15 years of teaching and education leadership experience. Jenna Stauffer is the Director of Strategic Development and began her teaching career in 1995. Brandon Paige is the Director of Finance and has years of teaching and cash management experience. Staff reviewed the

credentials of the leadership team and determined that, collectively and individually, the management team demonstrates having the required experience and educational background to effectively oversee the operations of Lodestar.

School Academic Performance: The following tables represent the 2016-17 academic performance of Lodestar, two similar local elementary public schools (Parker Elementary and Howard Elementary) and Oakland Unified School District. The results are provided through CDE's CAASPP Smarter Balanced testing data.

English Language Arts (2016-17) – Comparison

	Standard Met or Exceeded	All Student Performance	Student Groups w/ Below Avg. Performance
Lodestar	30.00%	N/A	N/A
Parker	24.32%	Low	4/4
Howard	8.98%	Lowest	2/2
District	31.86%	Low	9/13

Mathematics (2016-17) – Comparison

	Standard Met or Exceeded	All Student Performance	Student Groups w/ Below Avg. Performance
Lodestar	11.00%	N/A	N/A
Parker	27.17%	Low	3/4
Howard	17.50%	Low	2/2
District	25.50%	Low	9/13

Enrollment Trends and Projections: The tables below present enrollment and average daily attendance information for Lodestar from FY 2017 through FY 2023. The assumptions made in the projected years are considered reasonable by staff and consistent based on historical data.

School Student Enrollment and Average Daily Attendance

<u>Lodestar</u>	2017	2018	2019	2020	2021	2022	2023
Enrollment	234	360	512	651	722	787	850
ADA	94%	95%	95%	95%	95%	95%	95%

Obligor Financial Analysis:

Financial Data Sources: This financial analysis is based on the consideration and review of the following for Lighthouse Community Public Schools, the financial obligor and Applicant: (1) audited financial statements for 2013-14, 2014-15, and 2015-16; (2) unaudited financial statements for 2016-17; (3) adopted budget for 2017-18; and budget projections for 2018-19 through 2022-23, along with assumptions.

Assumptions: Lighthouse Community Public Schools’ financial projections are based upon the following assumptions: (1) School enrollment projections as provided above under “Enrollment Trends and Projections”; (2) Projected school ADA rates of 95%, which are consistent with historical performance; and (3) Local Control Funding Formula (LCFF) per-ADA funding rate of \$9,735 for 2017-18, as included with Lighthouse Community Public Schools’ projections, along with annual cost-of-living adjustments (COLAs) of 2.00% for 2017-18 through 2022-23.

Long Term Liabilities: As provided by the 2016-17 unaudited draft financial statements, Lighthouse Community Public Schools has no long-term debt.

Private Contributions: Lighthouse Community Public Schools will rely on private contributions to meet debt service coverage. In order to meet at least 100% of debt service coverage for the first two years of repayment, the organization will need to realize 65.9% and 9.8% of the anticipated fundraising goals for 2021-22 and 2022-23, respectively. However, fundraising accounts for only 8.9% of operating revenues, which is less than the 15% threshold considered to be material by CSFA staff

Benchmark Summary and Analysis: The following table and summary listing sets forth the results of staff’s analysis regarding Lighthouse Community Public Schools’ financial soundness. Where a threshold has been established based on industry standards or practice, the listing indicates whether or not the threshold was met.

	<i>Actual</i> FY 2017	<i>Projected</i> FY 2018	<i>Projected</i> FY 2019	<i>Projected</i> FY 2020	<i>Projected</i> FY 2021	<i>Projected</i> FY 2022	<i>Projected</i> FY 2023
OPERATIONAL & FINANCIAL	Unaudited Actuals						
Enrollment	234	360	512	651	722	787	850
Average Daily Attendance (ADA)	220	342	487	619	686	748	808
Average Daily Attendance (%)	94.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%
LCFF Sources/ADA	\$ 41,365	\$ 30,174	\$ 25,529	\$ 22,573	\$ 21,794	\$ 21,339	\$ 21,046
Operating Revenues/ADA	\$ 66,676	\$ 43,240	\$ 35,837	\$ 31,616	\$ 29,741	\$ 29,076	\$ 28,642
Operating Expenses plus CSFP Lease/ADA	\$ 65,727	\$ 44,042	\$ 35,842	\$ 31,044	\$ 28,270	\$ 28,532	\$ 27,278
Free Cash Flow/ADA	\$ 949	\$ (802)	\$ (5)	\$ 571	\$ 1,471	\$ 544	\$ 1,364

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	Actual FY 2014	Actual FY 2015	Actual FY 2016	Actual FY 2017	Projected FY 2018	Projected FY 2019	Projected FY 2020	Projected FY 2021	Projected FY 2022	Projected FY 2023
DEBT SERVICE COVERAGE										
Total Operating Revenues	\$ 8,781,246	\$ 9,465,950	\$ 11,180,276	\$ 14,664,129	\$ 14,788,165	\$ 17,434,650	\$ 19,554,279	\$ 20,402,182	\$ 21,749,215	\$ 23,128,548
Total Operating Expenses	8,411,568	9,446,942	10,885,068	14,455,389	15,062,423	17,437,128	19,200,892	19,393,168	20,064,686	20,749,296
Total Other Sources/Uses	-	-	(361,691)	-	-	-	-	-	-	-
Net Income Available for CSFP Lease Payment	369,678	19,008	(66,483)	208,739	(274,258)	(2,478)	353,387	1,009,014	1,684,529	2,379,252
Add Back Depreciation	8,240	8,239	8,240	16,117	-	-	-	-	-	-
Adjusted Net Income Available for CSFP Lease Pymt.	377,918	27,247	(58,243)	224,856	(274,258)	(2,478)	353,387	1,009,014	1,684,529	2,379,252
CSFP Lease Payments	-	-	-	-	-	-	-	-	1,277,505	1,277,505
Free Cash Flow	\$ 377,918	\$ 27,247	\$ (58,243)	\$ 224,856	\$ (274,258)	\$ (2,478)	\$ 353,387	\$ 1,009,014	\$ 407,024	\$ 1,101,747
DSC from Adj. Net Income	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	131.9%	186.2%
DSC from LCFF Sources subject to CSFA Intercept									N/A	1000.8%
CSFP Lease Payment/Oper. Revenues	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	5.9%	5.5%
FUNDRAISING										
Fundraising for Operations	\$ 390,792	\$ 1,102,254	\$ 1,598,328	\$ 2,250,187	\$ 1,253,387	\$ 1,118,437	\$ 1,140,526	\$ 1,166,664	\$ 1,193,455	\$ 1,220,917
Fundraising/Oper. Revenues	4.5%	11.6%	14.3%	15.3%	8.5%	6.4%	5.8%	5.7%	5.5%	5.3%
DSC without Fundraising	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	38.4%	90.7%
% of Fundraising Required for 100% DSC	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	65.9%	9.8%
LIQUIDITY										
Current Assets	\$ 3,341,992	\$ 3,997,297	\$ 3,504,309	\$ 3,818,646						
Current Liabilities	737,459	1,301,888	900,828	1,006,426						
Net Working Capital	\$ 2,604,533	\$ 2,695,409	\$ 2,603,481	\$ 2,812,220						
Net Working Capital/Oper. Expenses	31.0%	28.5%	23.9%	19.5%						
Unrestricted Cash & Cash Equivalents	\$ 1,421,976	\$ 2,144,946	\$ 1,660,933	\$ 1,677,479						
Unrest. Cash & CE/Oper. Expenses (Days)	62	83	56	42						
Unrest. Cash & CE/All Expenses (Days)	62	83	56	42						

Benchmark Summary (Threshold):

- Free Cash Flow/ADA – \$585 avg. (< \$0)
- Free Cash Flow – \$316,621 (< \$0)
- Net Working Capital as Portion of Operating Expenses – 25.7% (< 5%)
- Unrestricted Cash & Cash Equivalents as Portion of All Revenue – 61 days (< 90 days)

Summary of Financial Findings and Special Considerations: Lighthouse Community Public Schools projects positive operating revenue from 2017-18 through 2022-23. Major funding sources for Lighthouse Community Public Schools include federal income sources (LCFF Revenue, Title I and Title II funds, Child Nutrition Program and other federal income), which accounts for approximately 71.5% of Lodestar School's current income; state income sources (Child Nutrition Program, Mandate Block Grant and other state income), which accounts for approximately 13.1% of the Lighthouse Community Public Schools' current income; and local income sources (food service sales, private fundraising efforts and other local income), which accounts for approximately 15.4% of Lighthouse Community Public Schools' current income. There are no long-term liabilities or obligations in addition and on average, Lighthouse Community Public Schools has 61 operating days of unrestricted cash & equivalents and the available net working capital averages 25.7% as a portion of the operating expenses.

Lighthouse Community Public Schools has chosen to enter into a loan repayment to cover the local matching share. Assuming a 3.0% interest rate, a 30-year repayment period, and a CSFP lease amount of \$25,039,661.80 for both projects combined, Lighthouse Community Public Schools' total CSFP payment would be \$1,277,505 (\$108,593 for rehab project and

\$1,168,912 for the new construction project) beginning in 2021-22. Lighthouse Community Public Schools' adjusted net income of \$1,684,529 for 2021-22 and \$2,379,252 for 2022-23 would provide debt service coverage of 131.9% and 186.2%, respectively, which is above the minimum requirement of 100%. The CSFP payments would represent 5.9% and 5.5% of projected operating revenues for each of these years, which is below the preferred maximum range of 10-15%. Please note that gross debt service coverage based on LCFF sources subject to the CSFA intercept would be 1,000.8% in 2021-22 and 1,066.7% in 2022-23.

Strengths, Weaknesses and Mitigants:

- +/- In its first full year of operations (2016-17), Lodestar has outperformed its counterparts in English Language Arts, but lags behind in the Mathematics assessment.
- + Lighthouse Community Public Schools on behalf of Lodestar has projected debt service coverage ratios of 131.9% and 186.2% for 2021-22 and 2022-23, respectively.
- +/- Lighthouse Community Public Schools on behalf of Lodestar is dependent on fundraising contributions to meet its debt service coverage; however, fundraising only accounts for 6.2% of operating revenues on average from 2017-18 through 2022-23, which is less than the 15% threshold considered to be material by CSFA staff.
- Lighthouse Community Public Schools on behalf of Lodestar only has 61 days of unrestricted cash & cash equivalents as portion of all revenue, which is below the preferred 90 day threshold.

Staff Recommendation: Staff recommends that the California School Finance Authority ("Authority" or "CSFA") Board determine that Lighthouse Community Public Schools on behalf of Lodestar: A Lighthouse Community Charter Public ("Lodestar"), is financially sound for purposes of the Charter School Facilities Program ("Program" or "CSFP") Preliminary/Advance Apportionment. This determination as it relates to Preliminary/Advance Apportionment is in place for twelve months and assumes no financial, operational, or legal material findings within this time period. This recommendation is also contingent upon Lighthouse Community Public Schools electing to have its CSFP payments intercepted at the state level, pursuant to Sections 17199.4 and 17078.57(a)(1)(A) of the Education Code. Staff recommends that the Authority Board direct staff to notify the Office of Public School Construction ("OPSC") and the State Allocation Board regarding this determination.